

## INTRODUCING “LC CARD” FOR ALL THE BANKS (A Proposal for better service for the customers)

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### Abstract

This work is a proposal for all the banks in India for launching a very new dynamic card called by LC Card. The LC Card is first time to be launched in the country, for huge benefit of each and every customer as well as of the bank. LC Card means Loan Card, a physical object looking similar to ATM Cards, Credit Cards, etc.

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### 1. INTRODUCTION

All the banks in India need new advance kind of strategies for offering better service to the customers. This proposal is for an excellent new type of card called **LC Card**, to be launched first time by all the banks in India. The LC Card of banks is a kind of extension of the existing type of banking service, as it is not available in any of the existing banks for their customers. The LC Card is so attractive that customers will get huge benefits while they are in sudden demand of financial help.

### 2. LOAN CARD (LC) IN BANKS in INDIA

LC Card is a concept of auto sanction of loan for a customer without the need of taking approval from Manger or Officer or any higher authority of the bank. This is a very unique kind of service facility by bank for its customers, because this facility will be provided first time in the country.

#### 2.1 LC CARD

It is quite a frequent event in India that a customer has huge (or small) amount of money deposited in his bank (say SBI or PNB or BOI or UBI .....), in the form of FD. But **all of a sudden** he may happen to need a good amount of money say, for buying a flat, or for buying a luxury car, or for buying a shop to start a business or for marriage of his daughter, or..... Unfortunately he does not have cash amount of money in his hand at this moment in bank too. What he can do now? Most probably he will go to his bank branch physically and will request the Branch Manager :-

- (i) to process for “pre-mature closing” of one or more Policy or Scheme or FD,
- (ii) or, to sanction loan against one or more Policy or Scheme or FD.

The same case may happen to a financially weak or moderate customer who does not want at all to make pre-mature closing of his own Policy or Scheme or FD. It is known to us that in India, most of the customers do not (can not) use online facilities of SBI. Even he uses online facilities, it is time consuming relative to the time available to him to solve his financial problem. He wants immediate solution so that he can smile.

In this Proposal an excellent alternative solution is proposed which will be of much meritorious plan for the bank as well as for the concerned customer. For this a new type of card called by “**LOAN CARD** or **LC Card** in short is introduced. In the phrase “LC Card”, the word “Card” appears twice but it does not matter.

The customer will be given

- (i) a unique Account Number of his virtual account (concept of virtual account is described here subsequently in sub-section 2.4)
- (ii) the Passbook, and
- (iii) one LC Card corresponding to this Account Number.

## 2.2 ABOUT LC

The proposed **LC Card** is a physical object almost like a “Bank Debit Card” being used by the customers of banks to withdraw money from ATM machines, without visiting physically the bank branch at all. My proposal is that the bank can use its own ‘giant network strength’ to issue **LC Card** to the customer so that he will just insert the **LC Card** in any ATM branch and can withdraw money as a loan auto-sanctioned. The excellent software of the concerned bank will do job for this transaction subject to all the constraints explained below.

## 2.3 LPA & MA : two new notions for Banks

Here LPA stands for “Linked Principal Amount (LPA)” and MA stands for “Master Amount (MA)” corresponding to the LC facility of a customer. These two terms are explained below.

A customer seeking the facility of **LC** of his Bank on some date “d” must have a **linked** deposit amount in this Bank in his own name in a Policy or Scheme or FD. The deposit amount in bank on this date d could be in thousands or in lakhs or in crores of rupees. If this deposit amount on date d is Rs.X which he wants to link with his **LC** facility, then 60% numerical amount of Rs.X is called the “**Master Amount (MA)**” of **LC** facility for this customer. His bank will issue him the **LC Card** on the basis of MA amount. .

Using **LC Card**, a customer can withdraw money several times from ATM (which will be in fact a lone from his LPA, with specified interest rate), but can never withdraw the loan amount money from ATM an amount exceeding the Master Amount.

A customer may withdraw money (loan) using **LC Card** as many times as he wants, but the Software of his Bank will take care of every transaction details and corresponding actions, and whether his total amount withdrawn so far exceeds the Master Amount. However, all transactions will have to be certainly done without violating any RBI norms.

The amount Rs.X is called the “**Linked Principal Amount (LPA)**” of his **LC** facility, which will be declared in advance by the customer to his Bank. A customer may have many Policies or Schemes or FDs in his Bank in his name, but the “Master Amount (MA)” for him will depend upon his decision on: “Which deposit and hence how much amount he wants to link with the **LC Card**”. This linking will be done by his Bank at the time of issuing the **LC Card** to the customer, on the basis of declaration given by the customer. Quite obviously, LPA and/or MA are different for different customers in general, as these are customer-decided parameters and even for a particular customer it depends upon the date d.

The customer can recover the loan by variable instalments of variable amount, by his own decision. The Bank software will take care of the required computations. If not possible, a customer need not recover the loan at all. But on maturity of the corresponding Policy or

Scheme, the loan amount with specified interest will be deducted and the rest amount will or FD be paid to the customer.

## 2.4 VIRTUAL ACCOUNT

If a customer takes loan from an ATM using LC Card, his Bank will maintain a virtual account of his loan amount along with accrued interest and also the available amount from MA for taking further loan. Virtual Account is as good as Savings Bank Account and it is meant for LC cases of customers here. A customer opening a FD in his Bank will be given a unique Account Number of his corresponding virtual account and the Passbook. A Table of 'rate of interest' upon Loan amount will be pre-fixed by the Bank, which will be published by Bank for information of all the customers. The loan amount withdrawal by a customer from ATM can never exceed the MA, and all such information will be recorded by the Bank Software in his virtual account. All the real time information about the operations like deposit, withdrawal, updating of insured amount, MA balance etc will be sent by the Software to the concerned customer by SMS or Whatsapp mode.

The following six properties of LC Card are important :-

- (i) **For one or more LC Cards, a customer has to apply to the branch. It will be issued at free of cost, no extra fee.**
- (ii) **For issuing LC Cards : corresponding to each FD/RD, there will be one linked Virtual Account as well as one LC Card.**
- (iii) **The Virtual Account gets expired automatically on the day of maturity of the linked FD.**
- (iv) **In case the customer can not repay the loan amount completely or partially before the date of maturity of the linked FD, then the amount will be automatically deducted from the linked FD on the date of its maturity. The concept of Master Amount (MA) is introduced to look after these type of real situations, if happen.**
- (v) **A customer may have many LC Cards, corresponding to his several FDs.**
- (vi) **Customers will have no loss if he does not use his LC Card(s) anytime.**

## 2.5 TAX EXEMPTION (LC WITHDRAWAL)

A customer having FD/RD can avail Tax Exemption as per Section 80C depending upon the amount value Rs.L, if both the following conditions are satisfied :-

1. Rs.L is the least balance amount in the Virtual account of the customer in the last financial year, and
2. Rs.L was always available in the customer's Virtual Account for the complete length of the last financial year.

Otherwise, L will be treated as zero amount. The calculation of the exact amount of Tax Exemption depends upon the decision of the Bank, year to year.

## 2.6 SOFTWARE (for executing LC Card transactions)

To implement the LC facility for the huge benefits of the customers, the **Software** will take complete care of all LC operations of a customer. Every bank has a very strong IT team of its own, and a giant network of its own.

## 2.7 NOMINEE

Nominee facility is available in Bank, corresponding to LC Card business.

## 3. CONCLUSION

The **LC Card** facility will reduce the processing time of the customer to get cash money in hand as a loan from his Bank, whenever there is a need. No extra man-hour of the bank is required to sanction loan to the customers, or there is no extra time required by the customer to get a loan sanctioned by the branch manager. It is beneficial to both the parties. Under any circumstances, there could be any risk for bank or customers. However, all transaction will be certainly done without violating any RBI norms. The corresponding branch of the bank will auto-sanction loan (with specified interest) to the customer at the time of withdrawing money from the ATM machine. Overall, the customers will enjoy a lot with the facilities using his of **LC Card**. No need to do pre-mature closing of his Policy or Scheme or FD. No need to go to any branch of his bank physically for a loan, which is time consuming. The **LC Card** facility will be very much helpful to most of the customers, in particularly, of the customers who are economically moderate or poor. A customer may have many LC Cards, corresponding to his several FDs. The keyword **LC** itself contains the word '**Card**', nevertheless advertently the abbreviation 'LC Card' is used as its title with no loss of confusion or meaning (although the word **CARD** gets repeated here).

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